



Inventory Department - Enlarged Scope for Stores Function

By BS Murthy

Materials management is about the functional integration of purchase, storage, and issues that involves planning and control of the material needs of an enterprise. Since all the three activities are independent, yet interdependent, they need to be harmonized for achieving overall functional efficiency. But the hitch lays in the halo of the purchase activity entailing glamorous prominence that the other two lack. This aberration is attributable to the functional characteristics of purchasing as well as to the positional prerogative the department enjoys in an organization.

Functionally, as the purchase activity involves interaction with willing vendors, the buyers come to occupy the centre stage of the materials management arena. Besides, the cerebral scope the purchase activity entails, which besides providing buyers the opportunity for the flourish of thought and expression in file-noting and letter writing also affords them an ego satisfaction the circulation of their signature in the same entails. Moreover, the purchase function being the nerve center of the materials activity, it provides the up-to-date overview of every aspect of the material position to the personnel manning it, thereby making it the most sought after by every other department. This apart, the working atmosphere of the purchase office, manned as such by relatively better qualified personnel, acquires an amount of sophistication, which imparts a sense of élan to the department.

But the division of work, as it exists in most organizations, merely confines the stores function to the receipt, accountal, and issue of materials, thereby making it lacking in glamour, a poor cousin of the exalted purchasing function. While in some larger organizations, the distribution, an allied function, too is brought under the purview of stores management, yet that fails to bring in any ego addition to the *store-wallas*. However, though co-related to the stores activities, the inventory planning and control, rarely, if ever, is integrated with the stores for the latter is either looked after

by an independent entity directly reporting to the top management, generally through the production department, or is loosely associated with the purchase department.

However, the materials management relay team comprises of the inventory planning, purchasing, stores, and distribution personnel with the baton being the materials requisition. No gainsaying that every member of a relay team is as important as the rest for winning the race for the strength of the team is only equal to the weakness of its individual performers, and so are the functional efficiency quotients of various materials management aspects. Thus, it is imperative that all the four functions of the material management setup as cited above have to be rationally organized so as to achieve the desired overall efficiency to help serve the organization to its full potential.

It must be appreciated that the materials management concept is among the youngest in the managerial arena, and generally speaking, it has yet to acquire its optimal shape. Even in those organizations where the concept is put into practice, it is mostly a case of bringing the purchase and stores functions under the materials management umbrella, leaving the inventory planning and distribution outside its gamut. This is attributable, on the one hand to the lack of managers capable of handling all the four functions together and on the other to the reluctance of the top managements to take a bold, yet rational, step in reorganizing the related functions of the materials management under one department.

Be that as it may, in the present setup, functional convenience demands that the materials head has to operate from the organization's administrative quarters. Needless to say, the purchase office too, for operational efficiency and customer convenience, is essentially positioned under his administrative wings. However, stores, for optimal serviceability, have to be invariably setup nearer to the production and servicing sections of the unit, generally away from the purchase office. This practical impediment of the stores layout distances it from the materials management hub that centers around the materials head. By the same token, the physical proximity of the purchase department to the materials head, besides its functional closeness to him, brings in its wake, a sort of emotional nearness as well. All these combine to make the purchasing activity the blue blood affair of the truly white-collared.

What with the systems and procedures having been laid out for the receipt, accountal and issues, an element of routine inevitably crops up in the stores function that is in contrast to the freshness of approach and the challenge of uncertainty associated with the purchasing work. And that makes it worse for the personnel manning the predominantly clerical nature of the stores function. Moreover, the availability or non-availability of a given material in which the stores has no role to play robs the stores job the sense of participation in inventory management. Even the routine documentation, however well designed it may be, tends the stores job to be monotonous, whereas the very nature of work lends variety to the purchasing process. Besides, as the stores personnel have to deal with materials procured by the purchase department in whose working they have no say, it, so to say, is akin to babysitting for someone else's child.

The retention, even now, of the traditional name for this function - stores - at a time when functionally appropriate and trendy nomenclature is being adopted for various other organizational activities, in a way illustrates the general nature of neglect of this function. A traditional buyer has come to be regarded as an exalted purchase officer, a salesman is respectfully referred to as marketing executive, a factory hand assumes the designation of an operator of some sort, but a storekeeper is still a storekeeper. And this, in spite of the fact than an appropriate word –

inventory - which broadly describes stores activity is available. All these factors combine to make the stores function the less attractive of the materials management activities, which tend to discourage the talented to opt for a career in it.

It is the aim of this piece to propagate the concept of an inventory department as a means of enlarged stores function so as to make it more challenging and rewarding for it to assume greater importance. Since the ego value of designations on the psyche of the individuals in an organization cannot be ignored, we shall begin by suitably re-designating various posts of the department that is after **rechristening Stores as Inventory Centre**. Accordingly, we shall have Inventory Manager for Stores Manager, Inventory Officer for Stores Officer, Inventory Assistant for Store Keeper, with of course, the prefixes of junior, senior etc., as per the required rungs in the departmental ladder.

That is not all as that amounts only to cosmetics. The inventory department, headed by inventory manager, under the administrative control of the materials head, should be tasked with inventory control in conjunction with the operational heads. Needless to say, as this enables the inventory to share the materials management table with the purchase manager, such a functional reorganization of the materials management would accord enhanced importance to the former. It must, however, be clarified that this is not meant to belittle the importance of the purchase function in any way, but the idea is to enlarge the stores function in its scope, content and importance.

Understandably the nucleus of the inventory department continues to be the stores, nay inventory centre, where the vital material functions of clearance receipt, inspection, accountal and issue are performed. But in order to have a coordinated control of inventory, the inventory planning and control function needs to be integrated with the inventory centre, where the basic material data is generated. Besides, giving a go by to the duplication of inventory effort in multiple departments, this measure gives an element of management aura to the inventory department, as increasingly the inventory is being monitored electronically.

Likewise, the distribution network including sub-inventory centres should be brought under inventory department for effective control and equitable utilization of the inventory. However, in organizations where multipoint material needs exist, requiring sub-inventory centres, attaching the same to the concerned departments leads to the loss of control on the integrated flow of available inventory. This can only be avoided by bringing the sub-centres under the control of the integrated Inventory department with the necessary logistics for redistribution of materials whenever needed.

In order to remove the feeling in the inventory personnel of having no say in the selection of vendors, and to involve them in this vital aspect of the purchasing activity, vendor analysis should be brought under the purview of the Inventory department. Vendor analysis, as we know, is the scientific method of evaluating the performance of the company's suppliers on certain parameters that are vital in judging the overall economics of a supply relationship with them. In fact, the inventory centre is well placed to carry out such an exercise as most of the required data inputs for the analysis emanate from there itself. As the suppliers list is prepared based on the vendor analysis, it thus imparts a sense of participation in the purchasing activity in the inventory personnel, and helps in removing the feeling of 'no say' in the selection of vendors.

As was already discussed, there is a necessity not only to make the inventory department more wide based internally but also to accord it external exposure in

some measure so as to reduce the monotony and lend variety to its functioning. Towards this end, it is desirable and indeed logical to bring in the activities connected with the follow up and expediting of the purchase orders on one hand and the settlement of the rejection cases on the other under the Inventory department.

As it is the Inventory department which has the first 'feel' of the overall inventory scenery, it is better placed to decide the timing for expediting or even for rescheduling the deliveries from vendors. This dual authority imparts as much importance in the vendors' esteem to the Inventory personnel as traditionally is the case with the purchase personnel. This just about fulfills the ego needs of the inventory personnel without inconveniencing the vendors in any way, save an additional call on the Inventory department.

The inventory centre's jurisdiction over the rejection cases will further enhance its importance in the eyes of the vendors, and gives rise to an equally important external PR opportunity for the Inventory department as is the case with the purchasing department. This apart, it is only but logical that the inventory centre should have an important say in dealing with the rejected material as it is the custodian of the same.

Reorganizing the inventory department on the suggested lines will go a long way in not only bringing in dynamism to the function, but also meets the esteem needs of especially the stores, nay inventory, personnel. Besides, such a move will help remove the existing imbalances between the purchase and stores functions that are heavily loaded in favour of the former. A fair balance between the two divisions of the materials management can be achieved in this way, which results in the all round development of the function. Moreover, this way, job retention, so essential for job enrichment, can be achieved without giving rise to the feeling of discrimination in the minds of the material management personnel.